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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MONTANA**

In Re:) Case No. 11-62031-RBK
)
SOUTHERN MONTANA ELECTRIC) <u>Notice of Hearing</u>
GENERATION and TRANSMISSION) Date: July 31, 2013
COOPERATIVE, INC.) Time: 9:00 a.m.
) Location: Bankruptcy Courtroom
Debtor.) Russell Smith Courthouse
) 201 East Broadway
) Missoula, Montana

OBJECTION TO MOTION TO CONVERT TO CHAPTER 7

Tongue River Electric Cooperative, Inc. ("Tongue River") through counsel, hereby objects to the Motion of the Unsecured Creditors Committee to convert this case to Chapter 7 pursuant to 11 U.S.C. § 1112(b)(4)(A) [Docket 913] on the grounds and for the reasons set forth below.

1. The Debtor, Southern Montana Electric Generation and Transmission Cooperative, Inc. ("Southern") filed its petition herein under chapter 11 of the Bankruptcy Code on October 21, 2011.

2. On November 29, 2011, Lee A. Freeman was appointed as Chapter 11 Trustee for the Debtor based on consensual motion of the US Trustee and the six members of Southern.

3. In 2003 Southern was formed as a not-for-profit G&T cooperative under the Rural Electric and Telephone Cooperative Act, § 35-18-101, M.C.A., et seq. by five Montana rural electric distribution cooperatives: Tongue River Electric Cooperative, Inc., Mid-Yellowstone

Electric Cooperative, Inc., Fergus Electric Cooperative, Inc., Yellowstone Valley Electric Cooperative, Inc., and Beartooth Electric Cooperative, Inc.

4. Southern was formed and operates as a not-for-profit G&T cooperative with Section 501(c)(12) tax exempt status under the Internal Revenue Code. Southern was organized for the purpose of furnishing long-term affordable wholesale power and related services to its member distribution cooperatives for the benefit of their rural electric patron customers.

5. Conversion of this case to Chapter 7 pursuant to 11 U.S.C. § 1112 is improper under 11 U.S.C. § 1112(c) because Southern is a cooperative corporation that is not a moneyed, business, or commercial corporation, and the Debtor has not requested such conversion.

6. Tongue River believes that in the event liquidation of Southern becomes necessary, the appropriate and orderly procedure would be through a plan of liquidation.

7. It is not presently apparent that conversion of this case to Chapter 7 would be in the best interests of creditors and the estate.

8. There is not presently any substantial or continuing loss to or diminution of Southern's bankruptcy estate. The core asset of the estate, Highwood Generating Station, has been properly preserved, managed and insured and there has been no substantial diminution in its value during the case.

9. Tongue River believes that to the extent there may be future loss to or diminution of the cash in the estate, this could be remedied by revising the amount of the cash collateral payments to the Noteholders to an amount that would preserve Southern's cash.

10. It is not presently apparent that there is no reasonable likelihood of rehabilitation of Southern provided that the Trustee and the Noteholders are willing to make reasonable concessions to arrive at a consensual plan with Southern's member cooperatives and the other creditors of the estate.

WHEREFORE, Tongue River Electric Cooperative, Inc. respectfully requests that the Court deny the Motion to Convert to Chapter 7 filed by the Unsecured Creditors Committee herein.

DATED this 19th day of July, 2013.

Guthals, Hunnes & Reuss, P.C.

By: /s/ Jeffery A. Hunnes
Attorneys for Tongue River Electric
Cooperative, Inc.

CERTIFICATE OF SERVICE

I, the undersigned, certify under penalty of perjury that on July 19, 2013, or as soon as possible thereafter, a copy of the foregoing Objection to Motion to Convert to Chapter 7 was served electronically by the Court's ECF notice to all persons/entities requesting special notice or otherwise entitled to the same and that in addition service by mailing a true and correct copy, first class mail, postage prepaid, was made to the following persons/entities who are not ECF registered users: none.

Guthals, Hunnes & Reuss, P.C.

By: /s/ Jeffery A. Hunnes
Attorneys for Tongue River Electric
Cooperative, Inc.